

**SAMPLE COMMUNITY COLLEGE**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2006**

Office of

**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of community colleges should be performed in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

References to Chapter 11 of the Code of Iowa in the Independent Auditor's Report (1) on the financial statements, (2) on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and (3) on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 are no longer required. We have determined the Chapter 11 audit requirements are met through the application of generally accepted auditing standards and Government Auditing Standards. This change does NOT affect the audit procedures to be applied in auditing compliance with the requirements of Chapter 11, such as a review of internal control, testing of transactions for compliance, and for schools, an audit of the certified annual report and the certified enrollment. This only affects reporting.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format displays the basic financial statements, required and other supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the community college feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Entities with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Iowa Department of Education or the U.S. Department of Education:

Iowa Department of Education  
Division of Community Colleges  
Grimes Building  
400 East 14<sup>th</sup> Street  
Des Moines, IA 50319-0146  
(515) 281-4729

Office of Inspector General  
United States Department of Education  
8930 Ward Parkway, Suite 2401  
Kansas City, MO 64114-3302  
(816) 268-0502

In accordance with OMB Circular A-133, one copy of the reporting package and Data Collection Form shall be submitted within 30 days after issuance of the audit report to a central clearinghouse. The Data Collection Form is available by calling 1-800-253-0696 (Form number SF-SAC) or on the Federal Audit Clearinghouse (FAC) website at <http://harvester.census.gov/sac>. Auditees are encouraged to use the on-line Internet submission option available on the FAC website. Submission of the on-line Internet Form SF-SAC will require the user to submit a hard copy of the final form with the auditee and auditor signatures. Additional copies of the reporting package or notifications of audit should be submitted to the central clearinghouse or to grantor pass-through entities in accordance with the filing requirements of the Circular.

The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. Reporting packages should be submitted to:

Federal Audit Clearinghouse  
1201 E 10<sup>th</sup> Street  
Jeffersonville, IN 47132

One copy of the audit report should be filed with the Iowa Department of Education regardless of whether the audit was performed in accordance with OMB Circular A-133. Reports filed with the Department of Education should include the management letter(s) if issued separately.

The findings on compliance, items IV-A-06 through IV-I-06, detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

Reports, including the management letter(s) if issued separately, are to be filed with this office within nine months following the end of the fiscal year subject to audit. However, reports should be filed with this office upon release to the community college. The per diem audit billing (including fee, expenses and hours) should be submitted with two copies of the reports filed with our office.

Public access to reports issued by the Auditor of State and by CPA firms will be available through the internet. To allow this, you should submit an electronic copy of each FY2006 audit report, in PDF format, to our office in addition to the two paper copies submitted. The PDF files should be e-mailed to [submitreports@auditor.state.ia.us](mailto:submitreports@auditor.state.ia.us). If you are unable to e-mail the file, you may mail a CD containing the PDF file to our office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the community college for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the community college and a copy should be sent to this office with two copies of the audit report sent by the CPA firm. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to community colleges. Together, we are able to provide a significant benefit to all taxpayers in the State.

DAVID A. VAUDT, CPA  
Auditor of State

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## **Sample Community College**

### **Outline of Major Changes**

- A. Deleted Official Depositories comment from Part IV of the Schedule of Findings and Questioned Costs because the State Treasurer's Office has indicated a change in procedures.
- B. Included an example note disclosure for termination benefits for the implementation of GASB Statement Number 47 in the additional notes section.

### **Additional Notes**

- 1. Also attached are a sample Corrective Action Plan for Federal Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Federal Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not required to be bound in the regular audit or filed with our office.
- 2. The attached sample Corrective Action Plan refers the user to the College's response to the auditor's comment for the detailed corrective action planned. If the College's response to the auditor's comment does not include the details of its planned corrective action, this information should be included in the Corrective Action Plan itself.
- 3. If the College has deposits in credit unions at June 30, 2006, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the College or the College's agent in the College's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
- 4. Following is an example footnote for an early retirement or other benefit plan or policy that meets the definition of a "termination benefit" as defined by GASB Statement 47. (Notes to Financial Statements Number 13 on early retirement is included to reflect disclosures necessary if an early retirement policy does not meet the GASB 47 criteria.)

#### **Sample Note – Termination Benefits**

The College offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the College and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Directors and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits are equal to 60% of the employee's regular contractual salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000.

Early retirement benefits will be paid in three equal installments in January following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2006, the College has obligations to ten participants with a total liability of \$171,285. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$125,534.

- 5. The Schedule of Revenues by Source and Expenditures by Function, Schedule 9, presents the last four years of data. This schedule should eventually accumulate a ten year history of data.
  - 6. ISCAP 2006-07A interest rates will be available at the end of June 2006.
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**Additional Notes (continued)****Sample A**

Sample Entity

## Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2006

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-06	Unsupported Expenditures	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Tom Claim, Sample Entity Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Department of Economic Development on October 15, 2006.
III-B-06	Segregation of Duties over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Julie Ledger, Sample Entity Treasurer, (515) YYY-XXXX	October 30, 2006
III-C-06	Financial Reporting	As noted in our response to the auditor's comment, we have implemented an independent review process which requires review by the Sample Entity Program Director, effective immediately. In addition, beginning with the December, 2006 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented.  Timely report filing will begin with the quarter ending December, 2006.



**Additional Notes (continued)****Sample B**

Sample Entity

## Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2006

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
III-C-03 III-B-04 III-B-05	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid; does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding nor has a management decision been issued on their part.
III-A-04 III-A-05	Segregation of Duties over Federal Revenues	Not corrected.	Plan to segregate duties for custody, recordkeeping and reconciling among Sample Entity staff.
III-C-04 III-C-05	Fixed Assets	Corrective action taken.	
III-D-05	Financial Reporting	Partially corrected.	Review procedures have been implemented. Timely report filing will begin with the quarter ending December, 2006.





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**NEWS RELEASE**

Contact:

FOR RELEASE \_\_\_\_\_

Auditor of State David A. Vaudt today released an audit report on Sample Community College in Premium City, Iowa.

The College's primary government operating revenues totaled \$\_\_\_\_\_ for the year ended June 30, 2006, including \$\_\_\_\_\_ from tuition and fees, \$\_\_\_\_\_ from the federal government and \$\_\_\_\_\_ from auxiliary enterprises.

Operating expenses for the year totaled \$\_\_\_\_\_, including \$\_\_\_\_\_ for salaries and benefits, \$\_\_\_\_\_ for services and \$\_\_\_\_\_ for materials and supplies.

The College reported an operating loss of \$\_\_\_\_\_. In general, a public college, such as Sample Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as non-operating revenues. Non-operating revenues totaled \$\_\_\_\_\_, including \$\_\_\_\_\_ from the state, \$\_\_\_\_\_ from property tax and \$\_\_\_\_\_ from interest income. Non-operating expenses totaled \$\_\_\_\_\_, consisting primarily of interest on indebtedness of \$\_\_\_\_\_. The College's net assets increased \$\_\_\_\_\_ during the year.

This report contains recommendations to the Community College Board of Directors and other College officials. For example, \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_. The Board has responded that \_\_\_\_\_.

A copy of the audit report is available for review in the Board Secretary's office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

# # #



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**JUNE 30, 2006**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-13
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A 16-17
Statement of Revenues, Expenses and Changes in Net Assets	B 18-19
Statement of Cash Flows	C 20-21
Component Unit Financial Statements:	
Statement of Net Assets	D 22
Statement of Revenues, Expenses and Changes in Net Assets	E 23
Notes to Financial Statements	24-35
Required Supplementary Information:	
Budgetary Comparison Schedule of Expenditures – Budget and Actual	38
Note to Required Supplementary Information – Budgetary Reporting	39
Other Supplementary Information:	<u>Schedule</u>
Balance Sheet – All Funds	1 44-47
Schedule of Revenues, Expenditures and Changes in Fund Balances – All Funds	2 48-51
Unrestricted Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Education and Support	3 52-53
Schedule of Revenues, Expenditures and Changes in Fund Balances – Auxiliary Enterprises	4 54-55
Schedule of Revenues, Expenditures and Changes in Fund Balances – Restricted Fund	5 56-57
Schedule of Changes in Deposits Held in Custody for Others	6 58
Schedule of Credit and Contact Hours	7 59
Schedule of Tax and Intergovernmental Revenues	8 60
Schedule of Current Fund Revenues by Source and Expenditures by Function	9 61
Schedule of Expenditures of Federal Awards	10 62-63
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government</u> <u>Auditing Standards</u>	65-66
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	67-68
Schedule of Findings and Questioned Costs	69-73
Staff	74

## Sample Community College

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Directors</b> (Before September 2005 Election)		
Marsha P. Edberg	President	2007
Joseph Dijon	Vice President	2005
Nicole E. Redmon	Member	2007
Jessica Valens	Member	2007
Sandra D. Jamison	Member	2005
Davis S. Townsend	Member	2005
C. Barrett Cheltsey	Member	2006
Diana S. Dante	Member	2006
Duncan Delancy	Member	2006

### **Board of Directors** (After September 2005 Election)

Marsha P. Edberg	President	2007
Joseph Dijon	Vice President	2008
Sandra D. Jamison	Member	2008
Davis S. Townsend	Member	2008
C. Barrett Cheltsey	Member	2006
Diana S. Dante	Member	2006
Duncan Delancy	Member	2006
Nicole E. Redmon	Member	2007
Jessica Valens	Member	2007

### **Community College**

Dr. Elizabeth A. Rosecranz	Superintendent
Morris Cody	Business Manager and Board Secretary
William G. Whaley	Board Treasurer

**Sample Community College**



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Independent Auditor's Report

To the Board of Directors of  
Sample Community College:

We have audited the accompanying financial statements of Sample Community College, Premium City, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Sample Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units of the Community College discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those units, is based on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sample Community College and its aggregate discretely presented component units at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2006 on our consideration of Sample Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sample Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 20, 2006

DAVID A. VAUDT, CPA  
Auditor of State



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Sample Community College provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- ◆ Operating revenues increased 1.5%, or approximately \$134,000, from fiscal year 2005 (FY05). Tuition and fees and auxiliary enterprises revenues increased and federal appropriations decreased.
- ◆ Operating expenses were 1.3%, or approximately \$185,000, more in FY06 than in FY05. Liberal arts and sciences, vocational technical, adult education and auxiliary enterprises increased, while cooperative services decreased.
- ◆ The College's net assets increased 28.9%, or approximately \$1,630,000, from FY05.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The Basic Financial Statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the College's budget for the year.

Other Supplementary Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

### REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

#### *The Statement of Net Assets*

The Statement of Net Assets presents the assets, liabilities and net assets of the College as a whole at the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement

is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

### Net Assets

	June 30	
	2006	2005
Current and other assets	\$ 14,896,038	14,498,146
Capital assets, net of accumulated depreciation	11,381,466	10,644,548
Total assets	26,277,504	25,142,694
Current liabilities	8,157,349	7,742,743
Noncurrent liabilities	10,844,789	11,754,716
Total liabilities	19,002,138	19,497,459
Net assets:		
Invested in capital assets, net of related debt	4,565,405	3,063,487
Restricted	583,018	580,926
Unrestricted	2,126,943	2,000,822
Total net assets	\$ 7,275,366	5,645,235

### Comparison of Net Assets

The largest portion of the College's net assets (63%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (8%) includes resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The remaining net assets (29%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

#### *Statement of Revenues, Expenses and Changes in Net Assets*

Changes in total net assets presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues earned by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

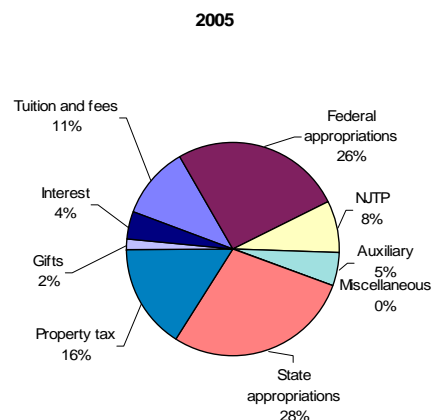
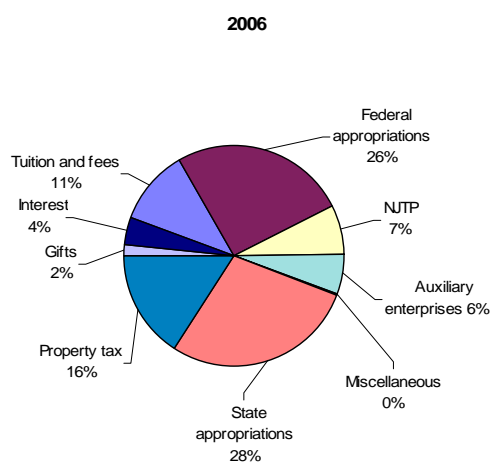
In general, a public college, such as Sample Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

## Changes in Net Assets

	Year ended June 30,	
	2006	2005
Operating revenues:		
Tuition and fees	\$ 2,028,326	1,968,263
Federal appropriations	4,494,679	4,544,981
Iowa Industrial New Jobs Training Program	1,256,690	1,322,532
Auxiliary	988,698	836,789
Miscellaneous	51,277	13,360
Total operating revenues	8,819,670	8,685,925
Total operating expenses	14,715,459	14,530,494
Operating loss	(5,895,789)	(5,844,569)
Non-operating revenues (expenses)		
State appropriations	4,949,771	4,882,394
Property tax	2,751,806	2,641,482
Gifts	289,662	287,993
Interest income on investments	642,905	684,335
Interest income on student loans	17,371	15,972
Donated capital assets	50,416	-
Loss on sale of capital assets	(5,766)	(10,247)
Interest expense	(1,170,245)	(1,492,628)
Net non-operating revenues	7,525,920	7,009,301
Increase in net assets	1,630,131	1,164,732
Net assets beginning of year	5,645,235	4,480,503
Net assets end of year	\$ 7,275,366	5,645,235

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in net assets at the end of the fiscal year.

## Total Revenues by Source



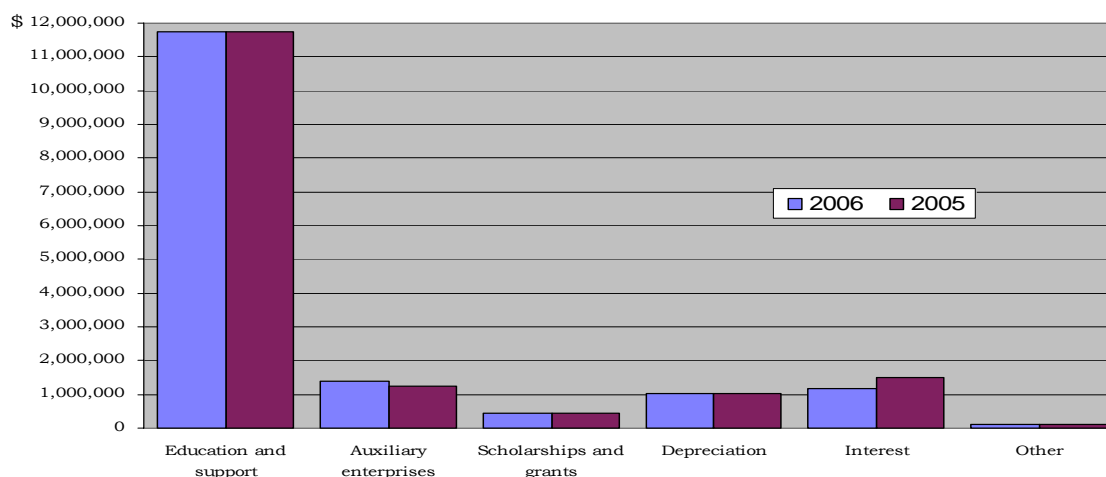
In fiscal year 2006, operating revenues increased by approximately \$134,000 (1.5%). The increase was a result of the following changes:

- ♦ Tuition and fees increased by approximately \$60,000 due to a slight increase in the number of students.
- ♦ Although federal student financial aid programs increased due to the increase in students, federal appropriations overall decreased by approximately \$50,000. The Higher Education – Instruction Aid (Title III) program was completed and an application for a new program was not submitted.
- ♦ Revenues from auxiliary enterprises increased by approximately \$152,000 due partially to additional students purchasing books and supplies. The bookstore was expanded during the year to offer items for resale.

### Operating Expenses

	Year ended June 30,	
	2006	2005
Education and support:		
Liberal arts and sciences	\$ 1,121,332	1,059,276
Vocational technical	3,326,544	3,183,675
Adult education	1,031,158	1,000,211
Cooperative services	3,053,377	3,267,636
Administration	503,469	493,400
Student services	644,875	666,437
Learning resources	152,938	149,990
Physical plant	1,208,707	1,235,648
General institution	703,295	682,082
Auxiliary enterprises	1,397,961	1,243,969
Scholarships and grants	434,681	422,924
Loan cancellations and bad debts	15,348	18,479
Administrative and collection costs	90,397	94,791
Depreciation	1,031,377	1,011,976
<b>Total</b>	<b>\$ 14,715,459</b>	<b>14,530,494</b>

### Total Expenses



In fiscal year 2006, operating expenses increased by approximately \$185,000 (1.3%). The following factors explain some of the changes:

- ♦ Liberal arts and sciences, vocational technical and adult education, the three functions relating to student instruction, increased approximately \$236,000. This was due to the increase in the number of students and an increase in personal services.
- ♦ Cooperative services decreased by approximately \$214,000 as a result of smaller payments made to the companies participating in the Iowa Industrial New Jobs Training Program. These expenses are dependent on the needs of the participating companies.
- ♦ Expenses for auxiliary enterprises increased by approximately \$154,000 due to the expansion of the bookstore and the number of students.

#### *Statement of Cash Flows*

The Statement of Cash Flows is an important tool in helping users assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing and investing activities.

#### **Cash Flows**

	Year ended June 30,	
	2006	2005
Cash provided (used) by:		
Operating activities	\$ (4,551,938)	(4,092,287)
Non-capital financing activities	7,700,065	7,201,982
Capital and related financing activities	(2,967,835)	(3,478,337)
Investing activities	660,276	698,326
Net increase in cash	840,568	329,684
Cash beginning of the year	3,845,324	3,515,640
Cash end of the year	\$ 4,685,892	3,845,324

Cash used by operating activities includes tuition, fees, grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the College had approximately \$11.4 million invested in capital assets, net of accumulated depreciation of \$6.7 million. Depreciation expense totaled \$1,031,377 for FY2006. Details of capital assets are shown below.

#### Capital Assets, Net, at Year-End

	June 30,	
	2006	2005
Land	\$ 374,635	374,635
Buildings	7,106,990	6,978,255
Construction in progress	1,246,089	446,089
Other structures and improvements	343,855	328,895
Equipment and vehicles	2,309,897	2,516,674
Total	\$ 11,381,466	10,644,548

Planned capital expenditures for the fiscal year ending June 30, 2007 and beyond includes the completion of the new academic building. The College will spend approximately \$125,000 on computer equipment and technology upgrades for the computer lab. The College also plans to repair/replace roofs on campus buildings at an estimated cost of \$75,000. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

At June 30, 2006, the College had \$14.3 million in debt outstanding, a decrease of \$337,675 from 2005. The table below summarizes these amounts by type.

#### Outstanding Debt

	June 30,	
	2006	2005
Anticipatory warrants payable	\$ 2,266,000	1,980,000
ISCAP warrants payable	396,000	150,000
Capital lease payable	356,061	425,736
Certificates payable	4,082,000	4,117,000
Notes payable	1,310,000	1,750,000
Bonds payable	5,850,000	6,175,000
Total	\$ 14,260,061	14,597,736

More detailed information about the College's outstanding debt is presented in Notes 3, 6 and 7 to the financial statements.

## **ECONOMIC FACTORS**

Sample Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- ♦ State aid will increase slightly. State aid for fiscal year 2007 was increased less than 3% above the amount received in fiscal year 2006.
- ♦ Expenses will continue to increase. As the number of students increases, the costs associated with serving them continue to increase.
- ♦ Facilities at the College require constant maintenance and upkeep.
- ♦ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

The College anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

## **CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Sample Community College, 5555 Main Street, Premium City, Iowa 55555.

**Sample Community College**



## **Basic Financial Statements**

## Sample Community College

## Statement of Net Assets

June 30, 2006

	Primary Government	Component Units
<b>Assets</b>		
Current assets:		
Cash and investments:		
Cash and pooled investments	\$ 4,685,892	678,508
ISCAP investments - Restricted	396,265	-
Receivables:		
Accounts, net of allowance for doubtful accounts of \$6,922	201,881	36,549
Pledges, net of allowance for doubtful pledges of \$19,215	-	237,992
Accrued interest	-	1,654
ISCAP accrued interest - Restricted	21,460	-
Property tax:		
Delinquent	126,000	-
Succeeding year	2,612,000	-
Notes, net of allowance for doubtful accounts of \$9,221	69,215	-
Iowa Industrial New Jobs Training Program	657,446	-
Due from Sample Community College Facilities Foundation	11,662	-
Due from other governments	2,195,789	-
Prepaid expenses	21,792	3,775
Inventories	339,163	-
Total current assets	11,338,565	958,478
Noncurrent assets:		
Pooled investments	450,752	522,162
Endowment investments	52,128	-
Receivables:		
Pledges, net of allowance for doubtful pledges of \$50,945	-	495,235
Notes, net of allowance for doubtful notes of \$77,736	217,031	-
Iowa Industrial New Jobs Training Program	2,837,562	-
Capital assets, net of accumulated depreciation	11,381,466	496,598
Total noncurrent assets	14,938,939	1,513,995
<b>Total assets</b>	26,277,504	2,472,473

Sample Community College

Statement of Net Assets

June 30, 2006

	Primary Government	Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	539,855	228,247
Salaries and benefits payable	277,077	-
Due to Sample Community College	-	11,662
Contracts payable	210,870	-
Accrued interest payable	18,667	1,890
Anticipatory warrants payable	2,266,000	-
Accrued interest payable on anticipatory warrants	121,250	-
ISCAP warrants payable	396,000	-
ISCAP interest payable	25,768	-
Deferred revenue:		
Succeeding year property tax	2,612,000	-
Other	276,664	4,621
Compensated absences payable	126,454	-
Deposits held in custody for others	241,530	-
Capital lease payable	70,214	-
Certificates payable	210,000	-
Notes payable	440,000	16,410
Bonds payable	325,000	-
Total current liabilities	8,157,349	262,830
Noncurrent liabilities:		
Compensated absences payable	10,523	-
Capital lease payable	285,847	-
Certificates payable	3,872,000	-
Notes payable	870,000	35,010
Bonds payable	5,525,000	-
Refundable advances on student loans	281,419	-
Total noncurrent liabilities	10,844,789	35,010
<b>Total liabilities</b>	19,002,138	297,840
<b>Net assets</b>		
Invested in capital assets, net of related debt	4,565,405	445,178
Restricted:		
Nonexpendable:		
Scholarships and fellowships	52,128	501,239
Expendable:		
Scholarships and fellowships	1,106	254,139
Loans	17,963	-
Debt service	195,948	-
Cash reserve	263,719	-
Other	52,154	153,954
Unrestricted	2,126,943	820,123
<b>Total net assets</b>	\$ 7,275,366	2,174,633

See notes to financial statements.

**Exhibit B**

Sample Community College  
Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2006

	Primary Government	Component Units
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$922,625	\$ 2,028,326	-
Federal appropriations	4,494,679	-
Iowa Industrial New Jobs Training Program	1,256,690	-
Auxiliary enterprises, net of scholarship allowances of \$346,247	988,698	-
Contributions and pledges, net of doubtful pledges of \$48,553	-	598,423
Rental income and facility management	-	156,332
Royalties and commissions	-	86,559
Miscellaneous	51,277	2,642
Total operating revenues	8,819,670	843,956
Operating expenses:		
Education and support		
Liberal arts and sciences	1,121,332	-
Vocational technical	3,326,544	-
Adult education	1,031,158	-
Cooperative services	3,053,377	-
Administration	503,469	-
Student services	644,875	-
Learning resources	152,938	-
Physical plant	1,208,707	-
General institution	703,295	-
Auxiliary enterprises	1,397,961	-
Scholarships and grants	434,681	-
Loan cancellations and bad debts	15,348	-
Administrative and collection costs	90,397	-
Facility operations	-	76,550
Program expenses	-	69,221
Management and general expenses	-	35,910
Fund raising expenses	-	32,910
Depreciation	1,031,377	22,869
Total operating expenses	14,715,459	237,460
Operating income (loss)	(5,895,789)	606,496

Sample Community College  
Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2006

	Primary Government	Component Units
Non-operating revenues (expenses):		
State appropriations	4,949,771	-
Property tax	2,751,806	-
Gifts from Sample Community College Facilities		
Foundation and Sample Community College Foundation	289,662	-
Additions to permanent endowment	-	32,000
Interest income on investments	642,905	21,286
Interest income on student loans	17,371	-
Other non-operating revenues	-	1,269
Gifts to Sample Community College	-	(289,662)
Donated capital assets	50,416	-
Gain (loss) on sale of capital assets	(5,766)	2,369
Interest on indebtedness	(1,170,245)	(1,965)
Net non-operating revenues (expenses)	7,525,920	(234,703)
Change in net assets	1,630,131	371,793
Net assets beginning of year	5,645,235	1,802,840
Net assets end of year	\$ 7,275,366	2,174,633

See notes to financial statements.

## Sample Community College

## Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Tuition and fees	\$ 1,976,768
Federal appropriations	4,533,343
Iowa Industrial New Jobs Training Program	1,608,813
Payments to employees for salaries and benefits	(7,853,035)
Payments to suppliers for goods and services	(3,222,243)
Payments to NJTP recipients	(903,791)
Scholarships	(434,681)
Payments to subrecipients	(1,243,191)
Loans issued to students	(98,000)
Loan collections from students	57,031
Auxiliary enterprises	975,771
Other receipts	51,277
Net cash used by operating activities	(4,551,938)
Cash flows from non-capital financing activities:	
State appropriations	4,949,771
Property tax	2,744,264
Gifts	287,066
Federal direct lending receipts	984,677
Federal direct lending disbursements	(984,677)
Proceeds from issuance of debt	140,000
Principal paid on debt	(175,000)
Interest paid on debt	(362,726)
Agency receipts	386,842
Agency disbursements	(270,152)
Net cash provided by non-capital financing activities	7,700,065
Cash flows from capital and related financing activities:	
Proceeds from issuance of debt	2,266,000
Proceeds from sale of capital assets	5,436
Acquisition of capital assets	(1,618,211)
Principal paid on debt and lease	(2,814,675)
Interest paid on debt and lease	(806,847)
Proceeds and interest on ISCAP activity	51,587
Principal and interest paid on ISCAP activity	(51,125)
Net cash used by capital and related financing activities	(2,967,835)
Cash flows from investing activities:	
Interest on investments	660,276
Net increase in cash	840,568
Cash beginning of year	3,845,324
Cash end of year	\$ 4,685,892

## Sample Community College

## Statement of Cash Flows

Year ended June 30, 2006

## Reconciliation of operating loss to net cash

used by operating activities:

Operating loss	\$ (5,895,789)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,031,377
Provisions for doubtful accounts	15,348
Changes in assets and liabilities:	
(Increase) in accounts receivable	(64,485)
(Increase) in notes receivable	(40,969)
Decrease in NJTP receivable	352,123
(Increase) in due from other governments	(26,549)
(Increase) in prepaid expenses	(3,254)
(Increase) in inventories	(25,316)
(Decrease) in accounts payable	(47,641)
Increase in salaries payable	13,194
Increase in deferred revenue	65,213
Increase in compensated absences payable	3,236
Increase in early retirement payable	27,450
Increase in refundable advances on student loans	44,124
Total adjustments	1,343,851
Net cash used by operating activities	\$ (4,551,938)

Noncash, capital and related financing activities:

The College received donated capital assets with a fair market value of \$50,416.

See notes to financial statements.

**Exhibit D**

## Sample Community College

Statement of Net Assets  
Component Units  
June 30, 2006

	Sample Community College Facilities Foundation	Sample Community College Foundation	Total
<b>Assets</b>			
Current assets:			
Cash and investments:			
Cash and pooled investments	\$ 256,945	421,563	678,508
Receivables:			
Accounts	36,549	-	36,549
Pledges, net of allowance for doubtful pledges of \$19,215	-	237,992	237,992
Accrued interest	1,654	-	1,654
Prepaid expenses	1,256	2,519	3,775
Total current assets	296,404	662,074	958,478
Noncurrent assets:			
Cash and pooled investments	-	522,162	522,162
Pledges, net of allowance for doubtful pledges of \$50,945	-	495,235	495,235
Capital assets, net of accumulated depreciation	496,598	-	496,598
Total noncurrent assets	496,598	1,017,397	1,513,995
<b>Total assets</b>	793,002	1,679,471	2,472,473
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	14,985	213,262	228,247
Due to Sample Community College	11,662	-	11,662
Accrued interest payable	1,890	-	1,890
Deferred revenue	4,621	-	4,621
Notes payable	16,410	-	16,410
Total current liabilities	49,568	213,262	262,830
Noncurrent liabilities:			
Notes payable	35,010	-	35,010
<b>Total liabilities</b>	84,578	213,262	297,840
<b>Net assets</b>			
Invested in capital assets, net of related debt	445,178	-	445,178
Restricted:			
Nonexpendable:			
Scholarships and fellowships	-	501,239	501,239
Expendable:			
Scholarships and fellowships	-	254,139	254,139
Other	-	153,954	153,954
Unrestricted	263,246	556,877	820,123
<b>Total net assets</b>	\$ 708,424	1,466,209	2,174,633

See notes to financial statements.



Sample Community College  
Statement of Revenues, Expenses and  
Changes in Net Assets  
Component Units

Year ended June 30, 2006

	Sample Community College Facilities Foundation	Sample Community College Foundation	Total
Operating revenues:			
Contributions and pledges, net of doubtful pledges of \$48,553	\$ -	598,423	598,423
Rental income and facility management	156,332	-	156,332
Royalties and commissions	86,559	-	86,559
Miscellaneous	2,642	-	2,642
Total operating revenues	245,533	598,423	843,956
Operating expenses:			
Facility operations	76,550	-	76,550
Program expenses	-	69,221	69,221
Management and general expenses	16,220	19,690	35,910
Fund raising expenses	-	32,910	32,910
Depreciation	22,869	-	22,869
Total operating expenses	115,639	121,821	237,460
Operating income	129,894	476,602	606,496
Non-operating revenues (expenses):			
Additions to permanent endowment	-	32,000	32,000
Interest income on investments	8,621	12,665	21,286
Other non-operating revenues	-	1,269	1,269
Gain on sale of capital assets	2,369	-	2,369
Gifts to Sample Community College	(50,000)	(239,662)	(289,662)
Remittances to Sample Community College Facilities Foundation	-	(75,000)	(75,000)
Reimbursements from Sample Community College Foundation	75,000	-	75,000
Interest on indebtedness	(1,965)	-	(1,965)
Net non-operating revenues (expenses)	34,025	(268,728)	(234,703)
Change in net assets	163,919	207,874	371,793
Net assets beginning of year	544,505	1,258,335	1,802,840
Net assets end of year	\$ 708,424	1,466,209	2,174,633

See notes to financial statements.

Sample Community College

Notes to Financial Statements

June 30, 2006

**(1) Summary of Significant Accounting Policies**

Sample Community College is a publicly supported school established and operated by Merged Area XX under the provisions of Chapter 260C of the Code of Iowa. Sample Community College offers programs of adult and continuing education, lifelong learning, community education and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. Sample Community College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Sample Community College maintains campuses in Premium City and Studentsville, Iowa, and has its administrative offices in Premium City. Sample Community College is governed by a Board of Directors whose members are elected from each director district within Merged Area XX.

The College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Sample Community College has included all funds, organizations, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College.

These financial statements present Sample Community College (the primary government) and its component units. The component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

**Discrete Component Units**

Sample Community College Facilities Foundation is a legally separate not-for-profit foundation. The Facilities Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Sample Community College. The Facilities Foundation is governed by a

Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Facilities Foundation, the majority of the resources that are held are used for the benefit of Sample Community College.

Sample Community College Foundation is a legally separate, tax-exempt foundation. The Foundation was established for the purpose of maintaining, developing and extending its facilities and services for the benefit of Sample Community College. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Sample Community College.

B. Basis of Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following four net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the College, including the College's permanent endowment funds.

Expendable – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets: Net assets that are not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and Cash Flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, Sample Community College is considered a special-purpose government engaged only in business type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Net Assets

Cash and Pooled Investments – Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amount of cash and, at the day of purchase, have a maturity date no longer than three months.

Due from Other Governments – This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the Federal government.

Inventories – Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expense at the time individual inventory items are consumed.

Property Tax Receivable – Property tax receivable is recognized on the levy or lien date, which is the date the tax asking is certified by the Board of Directors to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2006 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets – Capital assets, which include land, buildings and improvements and equipment and vehicles, are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

Capital assets are defined by the College as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	5,000

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20-50
Equipment	2-20
Vehicles	3-10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2006.

Refundable Advances on Student Loans – The Perkins Federal Loan program requires a return of federal capital contribution if the United States Government terminates the program.

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, word processing, central stores and athletics.

Summer Session – The College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

Tuition and Fees – Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Operating and Non-operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax and interest income.

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

**(2) Cash and Pooled Investments**

The College's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2006 the College had the following investments:

Type	Fair Value	Maturity
Federal National Mortgage Association (FNMA)	<u>\$ 502,880</u>	December 2006

At June 30, 2006, the College had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 297,463
Direct Government Obligations Portfolio	<u>113,211</u>
Total	<u>\$ 410,674</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The College's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the College.

Credit risk. The College's FNMA investment at June 30, 2006 and the investments in the Iowa Schools Joint Investment Trust were all rated Aaa by Moody's Investors Service.

Concentration of credit risk. The College places no limit on the amount that may be invested in any one issuer. More than 5 percent of the College's investments are in the Federal National Mortgage Association. The College's investment in the Federal National Mortgage Association is 55 percent of the College's total investments.

### (3) Iowa School Cash Anticipation Program (ISCAP)

The College participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. These accounts are reflected as restricted assets on the Statement of Net Assets. A summary of the College's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	6/30/2005	6/30/2006	\$ -	475	-	-
2005-06B	1/26/2006	1/26/2007	296,719	20,549	296,000	25,420
2006-07A	6/28/2006	6/28/2007	99,546	436	100,000	348
Total			\$ 396,265	21,460	396,000	25,768

The College pledges its current unrestricted fund receipts as security for warrants issued. Repayments must be made when current unrestricted fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the College must repay the outstanding withdrawal from its current unrestricted fund receipts. In addition, the College must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ -	36,000	36,000	-
2005-06B	-	136,476	136,476	-
Total	\$ -	172,476	172,476	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500	4.772
2006-07A		

#### (4) Inventories

The College's inventories at June 30, 2006 are as follows:

Type	Amount
Supplies and materials	\$ 63,118
Work in process	44,983
Merchandise held for resale	231,062
Total	<u>\$ 339,163</u>

#### (5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 374,635	-	-	374,635
Construction in progress	446,089	800,000	-	1,246,089
Total capital assets not being depreciated	820,724	800,000	-	1,620,724
Capital assets being depreciated:				
Buildings	10,252,767	336,791	-	10,589,558
Improvements other than buildings	549,463	42,618	-	592,081
Equipment and vehicles	4,882,519	600,088	249,771	5,232,836
Total capital assets being depreciated	15,684,749	979,497	249,771	16,414,475
Less accumulated depreciation for:				
Buildings	3,274,512	208,056	-	3,482,568
Improvements other than buildings	220,568	27,658	-	248,226
Equipment and vehicles	2,365,845	795,663	238,569	2,922,939
Total accumulated depreciation	5,860,925	1,031,377	238,569	6,653,733
Total capital assets being depreciated, net	9,823,824	(51,880)	11,202	9,760,742
Capital assets, net	\$ 10,644,548	748,120	11,202	11,381,466

Furniture and equipment includes \$420,000 of assets acquired under capital leases.



**(6) Anticipatory Warrants**

Anticipatory warrants are warrants which are legally drawn on College funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

During the year ended June 30, 2006, the College issued \$2,266,000 of anticipatory warrants at 4.25% interest per annum for building construction.

Anticipatory warrant activity for the year ended June 30, 2006 is as follows:

Fund	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year
Unrestricted	\$ 1,980,000	2,266,000	1,980,000	2,266,000

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Lease	Certificates Payable	Notes Payable	Bonds Payable	Total
Balance beginning of year	\$ 425,736	4,117,000	1,750,000	6,175,000	12,467,736
Additions	-	140,000	-	-	140,000
Reductions	69,675	175,000	440,000	325,000	1,009,675
Balance end of year	\$ 356,061	4,082,000	1,310,000	5,850,000	11,598,061

Capital Lease

The College entered into an agreement to lease data processing equipment. The agreement is for a period of twelve years at an interest rate of 4.50%. The lease expires in 2016 and also requires the payment of normal maintenance charges.

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments under the agreement described above in effect at June 30, 2006:

Year Ending June 30,	Amount
2007	\$ 76,294
2008	76,294
2009	76,294
2010	65,412
2011	32,770
2012-2016	147,465
Total minimum lease payments	474,529
Less amount representing interest	(118,468)
Present value of net minimum lease payments	\$ 356,061

Payments under this agreement for the year ended June 30, 2006 totaled \$76,294.

### Certificates Payable

In accordance with agreements dated between May 15, 1996 and March 11, 2006, the College issued certificates totaling \$5,642,000 with interest rates ranging from 3.75% to 7.80%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 210,000	262,393	472,393
2008	256,000	246,118	502,118
2009	342,000	225,638	567,638
2010	398,000	197,423	595,423
2011	398,000	142,844	540,844
2012-2016	1,880,000	357,323	2,237,323
2017-2019	598,000	42,996	640,996
Total	\$ 4,082,000	1,474,735	5,556,735

### Notes Payable

The College has issued notes for the purchase and construction of College properties as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2006 notes payable indebtedness are as follows:

Year Ending June 30,	Note Issuance of July 1, 1999			
	Interest Rates	Principal	Interest	Total
2007	4.00%	\$ 440,000	53,270	493,270
2008	4.10	440,000	35,670	475,670
2009	4.10	430,000	17,630	447,630
Total		\$ 1,310,000	106,570	1,416,570

### Bonds Payable

The College has issued bonds for the construction of the Career Technologies Building as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2006 bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2000			
	Interest Rates	Principal	Interest	Total
2007	4.60%	\$ 325,000	379,325	704,325
2008	4.60	330,000	348,125	678,125
2009	4.70	330,000	316,445	646,445
2010	4.70	330,000	284,435	614,435
2011	4.80	340,000	252,425	592,425
2012-2016	4.80	1,500,000	1,068,040	2,568,040
2017-2021	4.80	1,375,000	488,570	1,863,570
2022-2026	4.80	1,170,000	57,250	1,227,250
2027-2031	4.80-5.30	150,000	8,725	158,725
Total		\$ 5,850,000	3,203,340	9,053,340

### **(8) Operating Leases**

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2007 and 2010 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2006:

Year Ending June 30,	Amount
2007	\$ 132,543
2008	125,543
2009	125,543
2010	114,291
Total	\$ 497,920

Rents for the year ended June 30, 2006 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$132,543.

### **(9) Iowa Public Employees Retirement System (IPERS)**

The College contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$250,572, \$238,640 and \$226,457, respectively, equal to the required contributions for each year.

**(10) Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF)**

The College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.7% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2006 were \$62,023 and \$39,883, respectively.

**(11) Risk Pool**

The College is a member in the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose six members include Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance for its members. The Program provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials bonds, property and inland marine, errors and omission and College Board legal liability, workers compensation and employers liability, crime insurance and fiduciary bonds and boiler and machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual contributions to the Program fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Program's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year.

The College's contributions to the risk pool are recorded as prepaid expense from its operating funds at the time of payment to the risk pool. The College amortizes the expense over the periods for which the pool is expected to provide coverage.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$200,000 per claim, except for errors and omissions which has a retention of \$100,000. Excess insurance for all lines is \$900,000 per occurrence, except workers compensation which is \$150,000. There is additional excess above that for another \$9,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$250,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the College's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership in the Program for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the By-laws, may withdraw from the Program. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

The College also carries commercial insurance purchased from other insurers for coverage associated with catastrophic, accidental death and dismemberment, and underground storage tanks. The College assumes liability for any deductibles and claims in excess of coverage limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) New Jobs Training Programs**

Sample Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XX in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property tax, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered twenty five projects with six currently receiving project funding. The remaining nineteen projects have been completed, of which six are in repayment process and thirteen have been fully repaid.

**(13) Early Retirement and Contingent Liability**

Full-time and certain part-time staff who are between the ages of 55 and 65 and who have at least 10 years of continuous service with the College are eligible for early retirement remuneration. Early retirement begins at the end of the employee's contract. A staff member who accepts early retirement will receive cash benefits on July 1 and January 1 of the following fiscal year.

The liability at June 30, 2006 for those employees who have elected early retirement was \$74,280. Early retirement is funded on a pay-as-you-go basis through property tax levies. The College's early retirement expense for the year ended June 30, 2006 was \$98,700.

At June 30, 2006, the potential liability, if all eligible employees accepted early retirement, is approximately \$333,000.

**(14) Subsequent Events**

Anticipatory Warrants – On July 19, 2006, the College issued anticipatory warrants for \$2,345,000. The debt was incurred as allowed by Chapter 74 of the Code of Iowa and must be repaid by July 18, 2007.

Iowa Industrial New Jobs Training Program (NJTP) – On August 23, 2006, the College issued certificates totaling \$810,000 for a NJTP project at Attorneysville, Iowa. The debt was incurred as allowed by Chapter 260E of the Code of Iowa and will mature beginning on August 22, 2007.

**Sample Community College**

### **Required Supplementary Information**

Sample Community College  
 Budgetary Comparison Schedule of Expenditures  
 Budget and Actual

Required Supplementary Information

Year ended June 30, 2006

Funds/Levy	Original Budget	Amended Budget	Actual	Variance between Actual and Amended Budget
Unrestricted	\$ 9,256,623	9,863,721	9,374,620	489,101
Restricted	2,986,536	2,986,536	1,467,210	1,519,326
Unemployment	27,000	27,000	7,945	19,055
Insurance	34,000	34,000	23,976	10,024
Early Retirement	104,000	104,000	98,700	5,300
Equipment Replacement	110,000	110,000	-	110,000
Total Restricted	3,261,536	3,261,536	1,597,831	1,663,705
Plant	1,846,358	1,846,358	1,222,291	624,067
Bonds and Interest	1,235,756	1,652,465	1,547,296	105,169
Total	\$ 15,600,273	16,624,080	13,742,038	2,882,042

See accompanying independent auditor's report.



Sample Community College

Note to Required Supplementary Information -  
Budgetary Reporting

June 30, 2006

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with U.S. generally accepting accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Improvement Act, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

**Sample Community College**

### **Other Supplementary Information**

**Sample Community College**

Other supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue and expenditures. The various fund groups and their designated purposes are as follows:

Current Funds – The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College and consist of the following:

Unrestricted Fund – The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the College.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

Restricted Fund – The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Loan Funds – The Loan Funds are used to account for loans to students, and are financed primarily by the federal government.

Endowment Funds – The Endowment Funds are used to account for resources, the principal of which is maintained inviolate to conform with restrictions by donors or other outside agencies. Generally, only the income from these funds may be used.

Plant Funds – The Plant Funds are used to account for transactions relating to investment in the College properties, and consist of the following self-balancing subfunds:

Unexpended – This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of Indebtedness – This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in Plant – This account is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds – The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities.

Statements presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balances is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Sample Community College

Balance Sheet  
All Funds

June 30, 2006

	Current Funds		Loan
	Unrestricted	Restricted	Funds
<b>Assets</b>			
Cash and investments:			
Cash and pooled investments	\$ 2,795,423	1,134,788	13,201
ISCAP investments	-	396,265	-
Receivables:			
Accounts (less allowance of \$6,922)	126,932	28,354	-
ISCAP accrued interest	-	21,460	-
Property tax:			
Delinquent	30,000	7,000	-
Succeeding year	685,000	162,000	-
Notes (less allowance of \$77,736)	-	-	286,246
Iowa Industrial New Jobs			
Training Program	-	3,495,008	-
Due from other funds	29,825	-	-
Due from Sample Community College Facilities Foundation	11,662	-	-
Due from other governments	1,628,067	324,228	-
Prepaid expenses	21,792	-	-
Inventories	339,163	-	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Improvements other than buildings	-	-	-
Equipment and vehicles	-	-	-
Accumulated depreciation	-	-	-
<b>Total assets</b>	<b>\$ 5,667,864</b>	<b>5,569,103</b>	<b>299,447</b>

Endowment Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant			
52,128	1,043,844	140,615	-	8,773	-	5,188,772
-	-	-	-	-	-	396,265
-	46,595	-	-	-	-	201,881
-	-	-	-	-	-	21,460
-	15,000	74,000	-	-	-	126,000
-	245,000	1,520,000	-	-	-	2,612,000
-	-	-	-	-	-	286,246
-	-	-	-	-	-	3,495,008
-	-	-	-	-	(29,825)	-
-	-	-	-	-	-	11,662
-	-	-	-	243,494	-	2,195,789
-	-	-	-	-	-	21,792
-	-	-	-	-	-	339,163
-	-	-	374,635	-	-	374,635
-	-	-	10,589,558	-	-	10,589,558
-	-	-	1,246,089	-	-	1,246,089
-	-	-	592,081	-	-	592,081
-	-	-	5,232,836	-	-	5,232,836
-	-	-	-	-	(6,653,733)	(6,653,733)
52,128	1,350,439	1,734,615	18,035,199	252,267	(6,683,558)	26,277,504

Sample Community College

Balance Sheet  
All Fundss

June 30, 2006

	Current Funds		Loan
	Unrestricted	Restricted	Funds
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 363,820	169,895	65
Salaries and benefits payable	244,357	28,058	-
Accrued interest payable	-	-	-
Anticipatory warrants payable	2,266,000	-	-
Accrued interest payable on anticipatory warrants	121,250	-	-
ISCAP warrants payable	-	396,000	-
ISCAP interest payable	-	25,768	-
Due to other funds	-	29,825	-
Deferred revenue:			
Succeeding year property tax	685,000	162,000	-
Other	-	276,664	-
Compensated absences	55,063	81,914	-
Contracts payable	-	-	-
Deposits held in custody for others	-	-	-
Capital lease payable	-	-	-
Certificates payable	-	4,082,000	-
Notes payable	-	-	-
Bonds payable	-	-	-
Refundable advances on student loans	-	-	281,419
Total liabilities	3,735,490	5,252,124	281,484
Fund balances:			
Invested in capital assets, net of related debt	-	-	-
Restricted:			
Nonexpendable:			
Scholarships and fellowships	-	-	-
Expendable:			
Scholarships and fellowships	-	1,106	-
Loans	-	-	17,963
Debt service	-	-	-
Cash reserve	-	263,719	-
Other	-	52,154	-
Unrestricted	1,054,198	-	-
Auxiliary enterprises	878,176	-	-
Total fund balances	1,932,374	316,979	17,963
<b>Total liabilities and fund balances</b>	<b>\$ 5,667,864</b>	<b>5,569,103</b>	<b>299,447</b>

See accompanying independent auditor's report.



Endowment Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unex- pended	Retirement of Indebtedness	Investment in Plant			
-	-	-	-	6,075	-	539,855
-	-	-	-	4,662	-	277,077
-	-	18,667	-	-	-	18,667
-	-	-	-	-	-	2,266,000
-	-	-	-	-	-	121,250
-	-	-	-	-	-	396,000
-	-	-	-	-	-	25,768
-	-	-	-	-	(29,825)	-
-	245,000	1,520,000	-	-	-	2,612,000
-	-	-	-	-	-	276,664
-	-	-	-	-	-	136,977
-	210,870	-	-	-	-	210,870
-	-	-	-	241,530	-	241,530
-	-	-	356,061	-	-	356,061
-	-	-	-	-	-	4,082,000
-	-	-	1,310,000	-	-	1,310,000
-	700,000	-	5,150,000	-	-	5,850,000
-	-	-	-	-	-	281,419
-	1,155,870	1,538,667	6,816,061	252,267	(29,825)	19,002,138
-	-	-	11,219,138	-	(6,653,733)	4,565,405
52,128	-	-	-	-	-	52,128
-	-	-	-	-	-	1,106
-	-	-	-	-	-	17,963
-	-	195,948	-	-	-	195,948
-	-	-	-	-	-	263,719
-	-	-	-	-	-	52,154
-	194,569	-	-	-	-	1,248,767
-	-	-	-	-	-	878,176
52,128	194,569	195,948	11,219,138	-	(6,653,733)	7,275,366
52,128	1,350,439	1,734,615	18,035,199	252,267	(6,683,558)	26,277,504

Sample Community College  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
All Funds

Year ended June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
State appropriations	\$ 4,615,534	334,237
Tuition and fees	2,950,951	-
Property tax	679,795	267,744
Federal appropriations	872,363	3,362,392
Interest on investments	188,425	53,951
Interest on student loans	-	-
Iowa Industrial New Jobs Training Program	-	1,256,690
Increase in plant investment due to donated plant assets	-	-
Increase in plant investment due to plant expenditures (including \$549,672 in current fund expenditures)	-	-
Increase in plant investment due to retirement of debt	-	-
Miscellaneous	150,448	91,977
	<u>9,457,516</u>	<u>5,366,991</u>
Auxiliary enterprises:		
Sales and services	1,509,308	-
Miscellaneous	71,569	-
	<u>1,580,877</u>	<u>-</u>
Total revenues	<u>11,038,393</u>	<u>5,366,991</u>

Loan Funds	Endowment Funds	Plant Funds			Adjustments	Total
		Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	-	-	4,949,771
-	-	-	-	-	(922,625)	2,028,326
-	-	242,179	1,562,088	-	-	2,751,806
44,124	-	215,800	-	-	-	4,494,679
1,546	-	383,395	15,588	-	-	642,905
17,371	-	-	-	-	-	17,371
-	-	-	-	-	-	1,256,690
-	-	-	-	50,416	-	50,416
-	-	-	-	1,729,081	(1,729,081)	-
-	-	-	-	860,101	(860,101)	-
3,179	5,056	135,447	-	-	(45,168)	340,939
66,220	5,056	976,821	1,577,676	2,639,598	(3,556,975)	16,532,903
-	-	-	-	-	(592,179)	917,129
-	-	-	-	-	-	71,569
-	-	-	-	-	(592,179)	988,698
66,220	5,056	976,821	1,577,676	2,639,598	(4,149,154)	17,521,601

Sample Community College

Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
All Funds

Year ended June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Expenditures:		
Education and support:		
Liberal arts and sciences	1,206,348	-
Vocational technical	3,662,522	-
Adult education	1,040,887	-
Cooperative services	160,802	3,000,311
Administration	399,315	106,645
Student services	668,430	-
Learning resources	203,142	-
Physical plant	1,194,084	23,976
General institution	744,534	131,393
Total education and support	9,280,064	3,262,325
Auxiliary enterprises	1,504,607	-
Scholarships and grants	-	1,635,549
Loan cancellations and bad debts	-	-
Administrative and collection costs	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	94,556	388,494
Depreciation	-	-
Loss on sale of capital assets	-	-
Total expenditures	10,879,227	5,286,368
Excess (deficiency) of revenues over (under) expenditures	159,166	80,623
Transfers:		
Mandatory transfers	(7,787)	-
Non-mandatory transfers	93,516	(115,166)
Total transfers	85,729	(115,166)
Net	244,895	(34,543)
Fund balances beginning of year	1,687,479	351,522
Fund balances end of year	\$ 1,932,374	316,979

See accompanying independent auditor's report.

Loan Funds	Endowment Funds	Plant Funds			Adjustments	Total
		Unex- pended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	-	(85,016)	1,121,332
-	-	-	-	-	(335,978)	3,326,544
-	-	-	-	-	(9,729)	1,031,158
-	-	-	-	-	(107,736)	3,053,377
-	-	-	-	-	(2,491)	503,469
-	-	-	-	-	(23,555)	644,875
-	-	-	-	-	(50,204)	152,938
-	-	-	-	-	(9,353)	1,208,707
-	-	-	-	-	(172,632)	703,295
-	-	-	-	-	(796,694)	11,745,695
-	-	-	-	-	(106,646)	1,397,961
-	-	-	-	-	(1,200,868)	434,681
15,348	-	-	-	-	-	15,348
47,515	-	42,882	-	-	-	90,397
-	-	1,179,409	-	-	(1,179,409)	-
-	-	-	860,101	-	(860,101)	-
-	-	-	-	249,771	(249,771)	-
-	-	-	687,195	-	-	1,170,245
-	-	-	-	-	1,031,377	1,031,377
-	-	-	-	-	5,766	5,766
62,863	-	1,222,291	1,547,296	249,771	(3,356,346)	15,891,470
3,357	5,056	(245,470)	30,380	2,389,827	(792,808)	1,630,131
7,787	-	-	-	-	-	-
-	-	21,650	-	-	-	-
7,787	-	21,650	-	-	-	-
11,144	5,056	(223,820)	30,380	2,389,827	(792,808)	1,630,131
6,819	47,072	418,389	165,568	8,829,311	(5,860,925)	5,645,235
17,963	52,128	194,569	195,948	11,219,138	(6,653,733)	7,275,366

Sample Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Unrestricted Fund  
Education and Support

Year ended June 30, 2006

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Coopera- tive Services
Revenues:				
State appropriations	\$ 932,172	2,370,866	1,105,239	-
Tuition and fees	987,486	1,515,624	223,798	116,580
Property tax	-	-	-	-
Federal appropriations	43,847	554,897	215,138	-
Interest on investments	-	-	-	-
Miscellaneous	-	34,108	-	48,111
	1,963,505	4,475,495	1,544,175	164,691
Allocation of support services	284,849	776,229	222,117	26,455
Total revenues	2,248,354	5,251,724	1,766,292	191,146
Expenditures:				
Salaries and benefits	1,047,814	3,024,089	796,432	148,084
Services	38,663	115,178	138,499	2,274
Materials and supplies	43,663	203,197	48,689	1,582
Travel	19,242	22,545	39,258	8,862
Plant asset acquisitions	52,324	292,340	9,729	-
Interest on indebtedness	-	-	-	-
Miscellaneous	4,642	5,173	8,280	-
	1,206,348	3,662,522	1,040,887	160,802
Allocation of support services	718,634	1,958,317	560,368	66,742
Total expenditures	1,924,982	5,620,839	1,601,255	227,544
Excess (deficiency) of revenues over (under) expenditures	323,372	(369,115)	165,037	(36,398)
Transfers:				
Mandatory transfers	-	-	-	-
Non-mandatory transfers	-	73,068	-	-
Total transfers	-	73,068	-	-
Net	\$ 323,372	(296,047)	165,037	(36,398)
Fund balances beginning of year				
Fund balances end of year				

Note: The support services allocations are based on the percentage of contact hours reported.

See accompanying independent auditor's report.

General Adminis- tration	Support				Education and Support Total
	Student Services	Learning Resources	Physical Plant	General Institution	
207,257	-	-	-	-	4,615,534
-	101,259	-	6,204	-	2,950,951
679,795	-	-	-	-	679,795
-	58,481	-	-	-	872,363
188,425	-	-	-	-	188,425
59,389	-	3,607	-	5,233	150,448
1,134,866	159,740	3,607	6,204	5,233	9,457,516
(1,134,866)	(159,740)	(3,607)	(6,204)	(5,233)	-
-	-	-	-	-	9,457,516
305,384	540,186	115,366	476,700	395,938	6,849,993
49,945	70,553	8,587	503,752	292,986	1,220,437
14,347	40,638	28,985	195,636	25,286	602,023
25,351	6,092	-	-	11,563	132,913
2,491	10,961	50,204	9,353	15,624	443,026
94,556	-	-	-	-	94,556
1,797	-	-	8,643	3,137	31,672
493,871	668,430	203,142	1,194,084	744,534	9,374,620
(493,871)	(668,430)	(203,142)	(1,194,084)	(744,534)	-
-	-	-	-	-	9,374,620
-	-	-	-	-	82,896
(7,787)	-	-	-	-	(7,787)
-	-	-	-	-	73,068
(7,787)	-	-	-	-	65,281
(7,787)	-	-	-	-	148,177
					906,021
					\$ 1,054,198

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Sample Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Unrestricted Fund  
Auxiliary Enterprises

Year ended June 30, 2006

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 559,417	428,907
Miscellaneous:		
Student fee allocations	-	-
Total revenues	559,417	428,907
Expenditures:		
Salaries and benefits	21,401	111,885
Services	4,354	6,272
Materials and supplies	-	29,871
Travel	-	-
Plant asset acquisitions	14,213	12,839
Cost of goods sold	459,883	270,862
Total expenditures	499,851	431,729
Excess (deficiency) of revenues over (under) expenditures	59,566	(2,822)
Transfers:		
Non-mandatory transfers	(30,000)	-
Net	29,566	(2,822)
Fund balances beginning of year	237,544	127,138
Fund balances end of year	\$ 267,110	124,316

See accompanying independent auditor's report.



Word Processing	Central Stores	Athletics	Miscellaneous	Total
294,562	113,185	4,355	108,882	1,509,308
-	-	71,569	-	71,569
294,562	113,185	75,924	108,882	1,580,877
178,399	21,226	6,882	31,569	371,362
55,334	2,270	12,834	8,680	89,744
27,792	3,422	21,444	44,675	127,204
-	-	19,797	-	19,797
37,650	20,608	-	21,336	106,646
-	59,109	-	-	789,854
299,175	106,635	60,957	106,260	1,504,607
(4,613)	6,550	14,967	2,622	76,270
-	20,448	30,000	-	20,448
(4,613)	26,998	44,967	2,622	96,718
257,438	35,370	107,221	16,747	781,458
252,825	62,368	152,188	19,369	878,176

Sample Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances  
Restricted Fund

Year ended June 30, 2006

	Scholarships and Grants	Equipment Replacement	Insurance
Revenues:			
State appropriations	\$ 307,142	-	-
Property tax	-	103,018	49,738
Federal appropriations	1,288,556	-	-
Interest on investments	592	-	-
Iowa Industrial New Jobs Training Program	-	-	-
Miscellaneous	39,088	-	-
Total revenues	1,635,378	103,018	49,738
Expenditures:			
Salaries and benefits	-	-	-
Services	-	-	23,976
Materials and supplies	-	-	-
Travel	-	-	-
Interest on indebtedness	-	-	-
Awards to subrecipients	-	-	-
Federal Pell grant program	1,197,307	-	-
Federal supplemental educational opportunity grant	91,249	-	-
Iowa College Student Aid Commission	307,142	-	-
Private scholarships	39,851	-	-
Total expenditures	1,635,549	-	23,976
Excess (deficiency) of revenues over (under) expenditures	(171)	103,018	25,762
Transfers:			
Non-mandatory transfers	-	(115,166)	-
Net	(171)	(12,148)	25,762
Fund balances beginning of year	1,277	18,150	(20,181)
Fund balances end of year	\$ 1,106	6,002	5,581

See accompanying independent auditor's report.

Early Retirement	Unemployment Compensation	Cash Reserve	Workforce Investment Act	Temporary Assistance For Needy Families	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
-	-	-	-	-	-	27,095	334,237
102,400	12,588	-	-	-	-	-	267,744
-	-	-	1,952,295	100,000	-	21,541	3,362,392
-	-	-	-	-	53,359	-	53,951
-	-	-	-	-	1,256,690	-	1,256,690
-	-	-	-	-	-	52,889	91,977
102,400	12,588	-	1,952,295	100,000	1,310,049	101,525	5,366,991
-	7,945	-	593,059	11,345	-	63,211	675,560
98,700	-	-	95,188	84,157	947,323	48,964	1,298,308
-	-	-	8,234	4,498	-	10,413	23,145
-	-	-	18,535	-	-	8,805	27,340
-	-	-	-	-	362,726	25,768	388,494
-	-	-	1,237,972	-	-	-	1,237,972
-	-	-	-	-	-	-	1,197,307
-	-	-	-	-	-	-	91,249
-	-	-	-	-	-	-	307,142
-	-	-	-	-	-	-	39,851
98,700	7,945	-	1,952,988	100,000	1,310,049	157,161	5,286,368
3,700	4,643	-	(693)	-	-	(55,636)	80,623
-	-	-	-	-	-	-	(115,166)
3,700	4,643	-	(693)	-	-	(55,636)	(34,543)
-	13,109	263,719	(6,941)	-	-	82,389	351,522
3,700	17,752	263,719	(7,634)	-	-	26,753	316,979

**Schedule 6**

Sample Community College  
Schedule of Changes in Deposits Held in Custody for Others  
Agency Funds

Year ended June 30, 2006

	Student Organizations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscel- laneous	Total
Balances beginning of year	\$ 97,485	26,647	-	-	124,132
Additions:					
State appropriations	-	48,628	-	-	48,628
Tuition and fees	96,443	-	-	-	96,443
Federal appropriations	-	-	984,677	-	984,677
Property tax	-	1,309	-	-	1,309
Sales and services	38,701	-	-	202,265	240,966
Interest on investments	-	1,630	-	-	1,630
Total additions	135,144	51,567	984,677	202,265	1,373,653
Deductions:					
Salaries and benefits	16,029	-	-	48,023	64,052
Services	11,857	21,002	984,677	45,598	1,063,134
Materials and supplies	16,846	-	-	20,201	37,047
Travel	9,201	-	-	-	9,201
Interest on indebtedness	-	3,752	-	-	3,752
Student fee allocations	71,569	-	-	-	71,569
Remittances to State treasury	-	7,500	-	-	7,500
Total deductions	125,502	32,254	984,677	113,822	1,256,255
Balances end of year	\$ 107,127	45,960	-	88,443	241,530

See accompanying independent auditor's report.

Sample Community College  
Schedule of Credit and Contact Hours  
Year ended June 30, 2006

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	85,491	-	85,491	1,956,153	-	1,956,153
Vocational Education	44,355	-	44,355	1,432,722	-	1,432,722
Adult Education / Continuing Education	-	-	-	1,067,266	44,913	1,112,179
Cooperative Programs/Services	-	-	-	-	41,308	41,308
Related Services and Activities	-	-	-	3,127	103,233	106,360
Total	129,846	-	129,846	4,459,268	189,454	4,648,722

See accompanying independent auditor's report.

**Schedule 8**

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Sample Community College  
Schedule of Tax and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
Local (property tax)	\$ 2,751,806	2,641,482	2,508,530	2,488,621
State	4,949,771	4,882,394	4,772,624	4,683,635
Federal	4,494,679	4,426,620	4,190,615	3,968,594
Total	\$ 12,196,256	11,950,496	11,471,769	11,140,850

See accompanying independent auditor's report.

## Sample Community College

Schedule of Current Fund Revenues by Source  
and Expenditures by Function

For the Last Four Years

	Years ended June 30,			
	2006	2005	2004	2003
<b>Revenues:</b>				
State appropriations	\$ 4,949,771	4,882,394	4,772,624	4,683,635
Tuition and fees	2,950,951	2,862,156	2,752,112	2,213,656
Property tax	947,539	909,551	864,013	846,131
Federal appropriations	4,234,755	4,284,405	4,149,616	3,936,593
Interest on investments	242,376	215,321	196,211	198,542
Iowa Industrial New Jobs Training Program	1,256,690	1,322,532	1,102,136	1,022,356
Auxiliary enterprises	1,580,877	1,421,326	1,400,962	1,256,695
Miscellaneous	242,425	234,221	231,326	220,216
<b>Total</b>	<b>\$16,405,384</b>	<b>16,131,906</b>	<b>15,469,000</b>	<b>14,377,824</b>
<b>Expenditures:</b>				
Liberal arts and sciences	\$ 1,206,348	1,148,903	1,083,871	1,023,625
Vocational technical	3,662,522	3,521,156	3,400,859	3,200,125
Adult education	1,040,887	1,003,221	1,225,152	1,192,262
Cooperative services	3,161,113	3,343,697	3,112,209	3,079,947
Administration	505,960	500,221	500,895	498,621
Student services	668,430	658,441	675,899	654,229
Learning resources	203,142	200,995	198,549	196,526
Physical plant	1,218,060	1,300,226	1,209,869	1,203,551
General institution	875,927	869,552	870,221	865,293
Auxiliary enterprises	1,504,607	1,350,260	1,330,914	1,193,860
Scholarships and grants	1,635,549	1,603,479	1,556,776	1,526,251
Interest on indebtedness	483,050	480,225	478,554	460,215
<b>Total</b>	<b>\$16,165,595</b>	<b>15,980,376</b>	<b>15,643,768</b>	<b>15,094,505</b>

See accompanying independent auditor's report.

**Schedule 10**

## Sample Community College

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures	New Loans and New Loan Guarantees
Direct:				
U.S. Department of Commerce:				
Grants for Public Works and Economic Development Facilities	11.300		\$ 215,800	-
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007		91,249	-
Federal Work-Study Program	84.033		58,481	-
Federal Perkins Loan Program - Federal Capital Contributions	84.038		44,124	98,000
Federal Pell Grant Program	84.063		1,197,307	-
Federal Direct Student Loans	84.268		-	984,677
			1,391,161	1,082,677
TRIO - Student Support Services	84.042		65,388	-
Total direct			1,672,349	1,082,677
Indirect:				
U.S. Department of Housing and Urban Development:				
Iowa Department of Economic Development: Community Development Block Grants/ State's Program	14.228	02-QJ-15	300,831	-
U.S. Department of Labor:				
Iowa Workforce Development:				
WIA Adult Program	17.258		1,469,020	-
WIA Youth Activities	17.259		182,444	-
			1,651,464	-
Iowa Department of Education:				
Mine Health and Safety Grants	17.600		1,405	-
U.S. Department of Education:				
Iowa Department of Education:				
Adult Education - State Grant Program	84.002		213,733	-
Title I Program for Neglected and Delinquent Children	84.013		124,361	-
Vocational Education - Basic Grants to States	84.048		411,943	-



Sample Community College  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expend- itures	New Loans and New Loan Guarantees
Indirect (continued):				
U.S. Department of Education:				
Iowa Department of Education:				
Tech-Prep Education	84.243		18,593	-
U.S. Department of Health and Human Services:				
Iowa Workforce Development:				
Temporary Assistance for Needy Families	93.558		100,000	-
Total indirect			2,822,330	-
Total			\$ 4,494,679	1,082,677

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sample Community College and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Sample Community College**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Independent Auditor's Report on  
Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of  
Sample Community College:

We have audited the accompanying financial statements of Sample Community College, Premium City, Iowa, and the aggregate discretely presented component units as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements listed in the table of contents and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sample Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sample Community College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Sample Community College and other parties to whom Sample Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Community College during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 20, 2006

DAVID A. VAUDT, CPA  
Auditor of State



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Directors of  
Sample Community College:

**Compliance**

We have audited the compliance of Sample Community College, Premium City, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Sample Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sample Community College's management. Our responsibility is to express an opinion on Sample Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sample Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sample Community College's compliance with those requirements.

In our opinion, Sample Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Sample Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sample Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Sample Community College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described as items III-A-06 and III-B-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe items III-A-06 and III-B-06 are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Sample Community College and other parties to whom Sample Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

September 20, 2006

DAVID A. VAUDT, CPA  
Auditor of State

Sample Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. This reportable condition was considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.048 - Vocational Education – Basic Grants to States
  - Clustered Programs:
    - WIA Cluster:
      - CFDA Number 17.258 – WIA Adult Program
      - CFDA Number 17.259 – WIA Youth Activities
    - Student Financial Assistance Cluster:
      - CFDA Number 84.007 - Federal Supplemental Educational Opportunity Grants
      - CFDA Number 84.033 - Federal Work-Study Program
      - CFDA Number 84.038 - Federal Perkins Loan Program – Federal Capital Contributions
      - CFDA Number 84.063 - Federal Pell Grant Program
      - CFDA Number 84.268 - Federal Direct Student Loans
- (h) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (i) Sample Community College did not qualify as a low-risk auditee.

Sample Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

II-A-06 Records of Accounts – The Administrative Office maintains all accounting records for the College, including the subsidiary records for receivables and payables. Certain receivables in the Unrestricted Fund were not recorded in the accounts receivable subsidiary ledger. The subsidiary ledger and supporting documentation should provide sufficient evidential matter to identify and support both the source and amount of the receivables.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all receivables should be recorded in the accounts receivable subsidiary ledger.

Response – The Administrative Office will implement procedures to ensure all receivables are included in the subsidiary ledger.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



Sample Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

**CFDA Number 84.063: Federal Pell Grant Program  
Federal Award Year: 2006  
U.S. Department of Education**

III-A-06 Federal Pell Grant Program – Five applicants of twenty-five tested did not have a final high school transcript or its equivalent based upon the file documentation, and no other evidence of eligibility was available to support the awards which totaled \$10,100.

Recommendation – The College should implement procedures to ensure required documentation is maintained. Also, the five instances cited should be reviewed with the U.S. Department of Education to determine an appropriate disposition.

Response – We will review procedures for records maintenance and contact the U.S. Department of Education regarding this matter.

Conclusion – Response accepted.

**CFDA Number 84.038: Federal Perkins Loan Program – Federal Capital Contributions  
Federal Award Year: 2006  
U.S. Department of Education**

III-B-06 Federal Perkins Loan Program – Ten applicants of twenty-five tested did not have a signed certification of registration with Selective Service based upon the file documentation, and no other evidence of eligibility was available to support the awards which totaled \$11,400.

Recommendation – The College should implement procedures to ensure required documentation is maintained. Also, the ten instances cited should be reviewed with the U.S. Department of Education to determine an appropriate disposition.

Response – We will review procedures for records maintenance and contact the U.S. Department of Education regarding this matter.

Conclusion – Response accepted.

Sample Community College

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-06 Certified Budget – Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted.
- IV-B-06 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-06 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-D-06 Business Transactions – No business transactions between the College and College officials or employees were noted.
- IV-E-06 Bond Coverage – Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-06 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- IV-I-06 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College, except for an understatement of 200 credit hours, as shown below:

	Reported	Total per Supporting Documentation	Difference
Arts and Sciences;			
Credit Hours	85,491	85,541	(50)
Contact Hours	1,956,153	1,956,153	-
Vocational Education:			
Credit Hours	44,355	44,505	(150)
Contact Hours	1,432,722	1,432,722	-

Recommendation – The College should develop procedures to ensure the report submitted to the Iowa Department of Education reconciles to the supporting detailed records.

Sample Community College  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

Response – The College will continue to monitor credit/contact hours to ensure all reports submitted reconcile to the detail maintained.

Conclusion – Response accepted.

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Sample Community College

Staff

This audit was performed by:

Nicole S. Comstok, CPA, Manager  
Camilla E. Chaves, CPA, Senior Auditor  
Michael D. Kaminsky, CPA, Senior Auditor  
Galen C. Hendrickson, CPA, Staff Auditor  
Jeri L. Langley, CPA, Staff Auditor

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